

Message Text

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ACTION EB-07

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E.O. 11652: NA

TAGS: GATT ETRD

SUBJECT: GATT BALANCE-OF-PAYMENTS COMMITTEE DRAFT REPORT

RRE: A. GENEVA 682; B) GENEVA 6481

SUMMARY: DRAFT REPORT SHOWS GATT'S BOP PROCEDURES HAVE MAJOR SHORTCOMINGS, ESPECIALLY IN DEALING WITH NON-QR MEASURES. HOWEVER, BOP ACTIVITIES ARE INCREASINGLY IMPORTANT IN VIEW NEED TO CONTROL PROLIFERATION OF RESTRICTIONS. WHILE FEB 19 MEETING PROBABLY TOO EARLY FOR CLEAR POSITIONS TO EMERGE, SUGGEST U.S. URGE OTHERS TO RECOGNIZE NEED FOR EARLY IMPROVEMENT. END SUMMARY.

1. DRAFT BOP COMMITTEE REPORT REFERRED TO IN REFTELS IDENTIFIES SEVERAL SHORTCOMINGS IN GATT BALANCE-OF-PAYMENTS PROCEDURES IN DISCOURAGING NEW IMPORT RESTRICTIONS OR IN OBTAINING REMOVAL OF EXISTING BARRIERS. FOR EXAMPLE, IF A COUNTRY MAINTAINS QRS UNDER THE PROVISIONS OF ARTICLE XII OR XVIII AND THEN DISINVOKES THE ARTICLE,

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THERE IS NO PERIODIC CONSULTATIVE MECHANISM TO SPOTLIGHT THAT

COUNTRY'S PROGRESS--OR LACK THEREOF--IN REMOVING THE QRS.

2. ALSO, BOP COMMITTEE HAS NO AUTOMATIC AUTHORITY TO EXAMINE NON-QR IMPORT BARRIERS, EVEN THOUGH THESE MAY BE IMPOSED FOR BALANCE-OF-PAYMENTS REASONS. TARIFF QUOTAS, PRIOR DEPOSITS, AND IMPORT SURCHARGES ARE OUTSIDE PURVIEW OF COMMITTEE UNLESS SPECIFIC CASES ARE REFERRED TO COMMITTEE BY GATT COUNCIL. THIS IS SELDOM DONE. DURING LAST FIVE YEARS, NINE SURCHARGES AND SEVEN PRIOR IMPORT DEPOSIT SCHEMES WERE NEVER BROUGHT TO ATTENTION OF CPS AT ALL, YET THESE INVOKED FOR BOP REASONS. FURTHER, BOP COMMITTEE CONSULTATIONS HAVE, IN SOME CASES, TENDED BECOME FORUM FOR DEFERRING TO REGIONAL ECONOMIC OR POLITICAL POLICH CONSIDERATIONS. FOR EXAMPLE, EC WENT LIGHT ON GREECE DURING 1974 CONSULTATIONS BACUASE OF EC-GREECE ASSOCIATION AGREEMENT. EC SPOKESMAN ADMITTED THIS FREELY.

3. MISSION BELIEVES BOP COMMITTEE HAS BEEN SERVING IMPORTANT, ALBEIT LIMITED, FUNCTION IS DISCOURAGING IMPORT RESTRICTIONS. INCLINATION OF RESTRICTING COUNTRIES TO MOVE AWAY FROM QRS AS BOP MEASURE IS DUE AT LEAST PARTY, WE BELIEVE, TO CLEAR-CUT AUTHORITY OF BOP EXAMINATION PROCEDURES IN THIS AREA AND TO WILLINGNESS OF SOME OF BOP COMMITTEE MEMBERS TO PURSUE RIGOROUS CROSS-EXAMINATION (NOTABLY U.S. , JAPAN). WHILE THIS MIGHT SEEM PYRRHIC VICTORY WHEN OTHER RESTRICTIVE DEVICES ARE BRING ADOPTED INSTEAD OF QRS, AT LEAST QRS ARE GENERALLY RECOGNIZED AS MOST ONEROUS OF ALL RESTRICTIONS. ALSO, COMMITTEE RECENTLY HAS BEEN SUCCESSFUL IN GETTING LDCS TO REPORT THEIR BROAD RESTRICTIONS. THIS PARTLY BECAUSE NEW "MENI-BOP" ABBREVIATED CONSUTLATION PROCEDURES FOR LDCS HAVE DEMONSTRATED THAT RIGROS OF FULL EXAMINATION ARE NOT NECESSARY IN MAJORITY OF LDC CASES; WE HAVE FRIGHTENED FEWER AWAY.

4. WITH SPREADING DANGER PROLIFERATION OF WORLD IMPORT TRESTRICTIONS, GATT BOP ACTIVITIES ARE OF GROWING IMPORTANCE. BELIEVE TREATMENT BORAD SURCHARGES, PRIOR DEPOSITS, TARIFF QUOTAS SHOULD BE ROUGHLY CONSISTENT WITH TREATMENT OF QRS. FOR EXAMPLE, NEW RESTRICTIONS BY BRAZIL MOSTLY DO NOT APPEAR AFFECT BOUND RATES AND THUS, SINCE THEY ARE NOT QRS, MAY ESCAPE GATT EXAMINATION ALTHGETHER. WHETHER BOP COMMITTEE IN ITS PRESENT STRUCTURE IS PROPER FORUM FOR EXPANDED BOP PROCUDURES IS ONE QUESTION NOW BEFORE COMMITTEE.

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SOME OPTIONS INCLUDE BROADENING MANDATE OF COMMITTEE, HAVING COUNCIL TAKE MORE ACTIVE ROLE IN REFERRING NON-QR MEASURES TO COMMITTEE, RAISING LEVEL OF BOP COMMITTEE REPRESENTATION, DISSOLVING PRESENT COMMITTEE AND STARTING NEW ONE, AND DOING NOTHING. TOO, IT MAY ULTIMATELY BE THAT BOP COMMITTEE IS NOT PROPER PLACE FOR EXAMINATION OF BOP COMMITTEE; THIS BECOME CLEARER AS EXAMINATION GETS UNDER WAY-- OR FAILS TO.

5. WHILE IT TOO EARLY EXPECT U.S. OR OTHER COMMITTEE MEMBERS
ARRIVE AT IMMEDIATE RECOMMENDATIONS BASED ON FIRST LOOK AT DRAFT
REPORT, BELIEVE WE SHOULD SAY U.S. VIEWS GATT ROLE IN
PREVENTING PROLIFERATION OF IMPORT RESTRICTIONS AS VERY IMPORTANT,
ESPECIALLY TODAY, AND URGE THAT ALL MEMBERS RECOGNIZE NOW THAT
SOME KIND OF IMPROVEMENT IS NEEDED. WITHOUT SUCH EARLY PRODDING
BY U.S. , BELIEVE EC PARTICULARLY MAY SHY AWAY FROM ISSUE DUE TO
DIFFICULTIES IN GETTING COORDINATED POSITIONS ON WHAT ARE,
ADMITTEDLY,
MANY THORNY BUT IMPORTANT QUESTIONS RAISED IN DRAFT REPORT.
BEYOND THIS, SUGGEST U.S. ENCOURAGE AS THOROUGH AN INFORMAL DIS-
CUSSION IN FEBRUARY 19 MEETING AS POSSIBLE IN ORDER EXPLORE ISSUES AND
MOODS. WE WOULD RECALL U.S. STATEMENT AT FEBRUARY 11 TNC RE NEED
TO REVISE GATT RULES ON BOP MEASURES "TO REFLECT ACTUAL PRACTICE"
BUT WOULD LEAVE OPEN QUESTION OF RELATIONS OF COMMITTEE'S
DELIBERATIONS WITH MTN.

6. ACTION REQUESTED: WOULD BE HELPFUL IF INSTRUCTIONS FOR FEBRUARY
19 MEETING COULD INCLUDE SOME BACKGROUND ON HOW SOON U.S. EXPECTS
BROACH ISSUE OF REFORM OF GATT BOP RULES IN MTN
FORUM AND INDICATION OF WHETHER U.S. FINDS IT USEFUL HAVE BOP
COMMITTEE PURSUE ITS OWN STUDY, AT LEAST FOR NOW. DALE

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